OWL News

Bill Mongelluzzo, senior editor with the **Journal of Commerce**, met with our **Pacer Distribution Services** (PDS) division to discuss the growing **Transloading** business. There Bill met with Pacer's Mike Stark and Jeff Lindner, and an excerpt from the article is below. You can read the entire article using your **Journal of Commerce** subscription **here**.

The transloading of merchandise from marine containers to domestic containers and trailers isn't a new phenomenon in supply chain logistics, but for a variety of reasons, its use by retailers and direct importers is increasing faster than imports in general, especially in Southern California.

While transload volumes rose 6.6 percent in 2012, total containerized imports through Los Angeles-Long Beach increased only 2 percent over 2011. Transloading grew 5 percent a year on average from 2000 to 2012, compared with 2.5 percent-per-year growth for intact containers.

Transloading volumes are affected by developments in the transportation industry, so they can accelerate or decelerate from year to year. If railroads increase IPI rates for moving containers intact to inland destinations, for example, retailers normally increase their use of transloading.

Pacer doesn't believe the recent spurt in transloading is due to any macroeconomic factors such as rail IPI rates or the price of fuel. Rather, it’s due to a maturing of the sector as more small and mid-size retailers and direct importers incorporate transloading into their supply chains, said Jeff Lindner, Pacer’s vice president of sales.

Since the beginning of transloading, the core constituency of the sector has been large retailers and importers with multiple distribution centers across the country. These larger companies stop their imported containers from Asia on the West Coast and transload the merchandise into domestic containers destined for their DCs where the contents of 3 ocean containers usually fits into 2 domestic containers.

Small and mid-size shippers that had moved all of their containers intact to one import distribution center recently have begun to open additional DCs. They are delaying allocation of their inventory until it reaches a West Coast port, and then they transload the cargo and ship the domestic containers to the DCs where they’re needed.

Lindner cited two examples of how **delayed allocation** can reduce supply chain costs and increase the velocity of shipments;

- An importer that had shipped all of its imports through the West Coast to its import DC in, say, Columbus, Ohio, only to ship 40 percent of the merchandise back to its stores on the West Coast, can stop the containers in Southern California, strip out the local cargo and ship the remainder to the eastern half of the country.

- An importer that designates merchandise for Dallas before the shipment leaves Asia, only to discover the product is selling better in Chicago. By delaying allocation until the container arrives in Los Angeles-Long Beach, the shipment is sent directly to Chicago. “They ship to the right DC the first time,” Lindner said.

Pacer's Transload Team efficiently transfering product between ocean and domestic containers - the freight doesn't even touch the floor

Importers that have never transloaded may say, correctly, that their internal processes aren't set up to handle transloading, Lindner said. Pacer can step in with its analytical tools to develop a transportation plan to direct the shipments to the proper locations. Transloading may be used in conjunction with consolidation to combine diverse shipments from various origins in Asia into a domestic container, and the consolidated container is shipped to the destination.

Pacer expects its business to grow as more small and mid-size importers overcome the apprehension of adjusting their processes to include transloading where it makes sense. Pacer seeks out potential clients and serves as a “change element” to help the companies change their culture.

Los Angeles-Long Beach is by far the nation’s largest transload center, but to keep growing, the ports and their terminal operators must remove the bottlenecks that occur in the harbor, Mike Stark, PDS's President said. Although container volumes aren't back to the record year of 2006, slow truck turn times and congestion at some terminals plague the port complex.

The ports, trucking and marine terminal industries are working together to find a solution, and Stark said it might come in the form of an “**adaptive appointment system**” in which truckers can make appointments and change appointments as needed in responding to traffic conditions and other vagaries of harbor transportation.

Stark compares the situation in Los Angeles-Long Beach harbor to a primitive air traffic control system in which arriving aircraft are instructed to circle the airport for three hours waiting for a slot to open up.

Thank you to Bill Mongelluzzo and the Journal of Commerce for the article and permission to feature it here. If you have any questions on Pacer's Transloading capabilities then please don't hesitate to contact **Jeff Lindner** directly.